United Nations A/70/433/Add.1

General Assembly

Distr.: General
6 May 2016

Original: English

Seventieth session
Agenda item 136
Improving the financial situation of the United Nations

Financial situation of the United Nations

Report of the Secretary-General

Addendum

Summary

The present report reviews the financial situation of the United Nations as at 31 December 2014 and 2015, and at 30 April 2015 and 2016, and provides an update to the information presented in the previous report of the Secretary-General (A/70/433).

The report focuses primarily on four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding payments to Member States.

The financial situation of the Organization is generally sound. At the end of 2015 cash balances were positive for peacekeeping operations, the tribunals and the capital master plan. However, the last quarter of the year continues to be a difficult period for regular budget cash, and it was necessary to draw on regular budget reserves during the final months of 2015. As at 30 April 2016, the overall cash position is positive for all categories. However, the regular budget cash position is projected to tighten again towards the end of the year.

An increased number of Member States are making timely contributions to peacekeeping operations, and the Secretariat is making every effort to expedite outstanding payments for troops and formed police units, as well as for contingent-owned equipment. The level of outstanding payments to Member States is projected to decrease at the end of 2016. The final outcome of the year will depend on Member States meeting their financial obligations.

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I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/70/433). It also reviews the financial indicators as at 31 December 2014 and 2015 and 30 April 2015 and 2016.

2. In the present report, the financial situation of the United Nations is considered on the basis of the four main financial indicators that have been used to measure the strength of the Organization: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding payments to Member States.

II. Review of the financial situation

3. At the end of 2015, unpaid assessments were lower than at the end of the previous year in all areas, except for the tribunals. Cash balances were positive for peacekeeping operations, tribunals and the capital master plan at the end of 2015. However, the cash position of the regular budget continued to experience a tightening during the last quarter of the year, resulting in shortfalls that were covered by regular budget reserves.

4. More recently, as at 30 April 2016, unpaid assessments were lower in all categories except peacekeeping operations compared to the previous year. The increase in unpaid peacekeeping assessments in 2016 was as a result of the higher level of assessments issued in the early months of 2016 to finance the second half of the 2015/2016 peacekeeping fiscal year, following the triennial adoption of the new scale of assessments in December 2015 (see General Assembly resolution 70/246). Cash balances were positive for all areas, although the regular budget cash position is expected to tighten again towards the end of the year.

5. As regards troop costs and the cost of contingent-owned equipment, the level of outstanding payments to Member States was slightly lower at the end of 2015 compared to the previous year, and is projected to further decrease by the end of 2016.

A. Regular budget

6. The review of the regular budget situation as at the end of 2015 reflected a significant reduction in the unpaid assessments during the last quarter of the year (from over $1 billion to $533 million). In 2016, regular budget assessments were issued at a level of approximately $2.6 billion, $222 million below the level of $2.8 billion issued in 2015. As at 30 April 2016, unpaid assessments amounted to $1.4 billion, which is $163 million lower than the level unpaid one year ago. The amount currently outstanding is concentrated among a few Member States, and the final outcome for 2016 will largely depend on the action taken by those Member States.

7. By the end of 2015, a total of 142 Member States had paid their regular budget assessments in full, two fewer than the number in 2014. The Secretary-General wishes to thank the 142 Member States that had honoured their obligations to the

regular budget in full by 31 December 2015 and urges all other Member States to pay their assessed contributions in full as soon as possible.

8. More recently, as at 30 April 2016, a total of 79 Member States had paid their assessments to the regular budget in full, five fewer than the number that had paid by 30 April 2015. Again, the Secretary-General wishes to pay tribute to these 79 Member States for their support for the work of the Organization and invites other Member States to follow their example.

9. Cash resources available for the regular budget under the General Fund include the Working Capital Fund, authorized at $150 million by the General Assembly, and the Special Account. The Special Account is currently at a level of $200 million.

10. In April 2015, the General Assembly authorized the transfer of $154.9 million from the General Fund to finance the final shortfall of the capital master plan project (see General Assembly resolution 69/274 A). An initial transfer of $73.3 million was made in mid-2015 from the regular budget and $36.6 million was also transferred from the Special Account. The remaining $45 million was financed in the context of the 2016 regular budget assessment and was transferred to the capital master plan in 2016.

11. During the last months of 2015, the regular budget experienced cash shortfalls. The shortfall reached $113 million in October 2015. Despite additional contributions received in November 2015, the final position at 31 December 2015 reflected a $217 million cash shortfall under the regular budget, which was covered by the Working Capital Fund and the Special Account.

12. By 30 April 2016, regular budget cash increased to $471 million, as a result of the contributions from Member States during the early months of the year. However, during 2016, regular budget cash will continue to face pressure given the current reduced level of reserves resulting from General Assembly decisions on the use of the Special Account in recent years, as well Assembly action to finance a significant level of activities through commitment authority (without assessment) during the biennium 2016-2017. The final cash position towards the end of 2016 will depend largely on the payments to be made by Member States in coming months.

B. Peacekeeping operations

13. The changing demand for peacekeeping activities makes it hard to predict financial outcomes. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December; assessments are issued separately for each operation; and, since assessment letters can only be issued through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. All of these factors complicate a comparison between the financial situation of peacekeeping operations and those of the regular budget and the tribunals.

14. Unpaid assessments for peacekeeping operations totalled $976 million at the end of 2015, reflecting a decrease of $306 million compared to the $1.28 billion outstanding at the end of 2014. As of April 2016, new assessments had been issued at a level of approximately $3.9 billion, which was $1.7 billion higher than the level one year earlier. The increase resulted from assessments issued in the early months

of 2016 for the second half of the peacekeeping fiscal year 2015/2016, following the adoption of the new scale of assessments by the General Assembly in December 2015. As at 30 April 2016, the level of unpaid assessments amounted to $2.4 billion, which was $430 million higher than the amount outstanding as at 30 April 2015. Unpaid peacekeeping assessments continued to be concentrated among a few Member States.

15. Owing to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be difficult for Member States to keep fully current with them. By 31 December 2015, 30 Member States had paid all peacekeeping assessments in full. The Secretary-General wishes to give special thanks to these 30 Member States. These were Bosnia and Herzegovina, Canada, China, Czech Republic, Denmark, Egypt, Estonia, Finland, Georgia, Germany, Hungary, Iceland, Ireland, Italy, Japan, Kazakhstan, Kenya, Liechtenstein, Monaco, Montenegro, Netherlands, New Zealand, Republic of Moldova, Samoa, Senegal, Singapore, Solomon Islands, Sweden, Switzerland and Tuvalu.

16. More recently, by 30 April 2016, 40 Member States had paid all peacekeeping assessments in full, despite considerable challenges to pay by the cut-off date of 30 April. The Secretary-General would therefore like to pay special tribute to Australia, Bhutan, Bosnia and Herzegovina, Bulgaria, Canada, China, Côte d'Ivoire, Czech Republic, Denmark, Estonia, Ethiopia, Finland, Georgia, Germany, Ghana, Hungary, Iceland, Ireland, Israel, Italy, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Latvia, Lesotho, Liechtenstein, Luxembourg, Mali, Monaco, Netherlands, New Zealand, Republic of Korea, Samoa, Senegal, Singapore, Slovakia, Sweden and Switzerland.

17. Although the cash available for peacekeeping at the end of 2015 totalled almost $3 billion, this amount is segregated in accordance with the General Assembly's decision to maintain separate accounts for each operation. In its resolutions on the financing of peacekeeping operations, the Assembly has specified that no peacekeeping mission should be financed by borrowing from other active peacekeeping missions. The use of the Peacekeeping Reserve Fund is restricted to new operations and the expansion of existing operations. The cash available at the end of 2015 comprised approximately $2.6 billion in the accounts of active missions, $217 million in the accounts of closed mission and $139 million in the Peacekeeping Reserve Fund.

18. As regards outstanding payments to Member States, the amount owed for troops, formed police units and contingent-owned equipment totalled $824 million at 31 December 2015, and it is projected to decrease to $818 million by the end of 2016.

19. As at 31 March 2016 a total of $827 million was owed to Member States, which comprised $261 million for troops and formed police units, $480 million for contingent-owned equipment claims for active missions and $86 million for contingent-owned equipment claims for closed missions. As of that date, payments for troops and formed police unit costs were current up to January 2016 for all active missions, except for the United Nations Mission for the Referendum in Western Sahara (MINURSO) which was paid to July 2014. Payments for contingent-owned equipment were current up to December 2015 for all active missions, except for MINURSO and the United Nations Organization Stabilization

Mission in the Democratic Republic of the Congo (MONUSCO), which were paid up to September 2015.

20. The Secretary-General is committed to meeting obligations to Member States providing troops and equipment as expeditiously as possible as the cash situation permits. In this regard, the peacekeeping cash situation is monitored constantly, and the Organization endeavours to maximize the quarterly payments on the basis of the available cash and data, as a matter of priority. To effect these payments, the Organization depends on Member States meeting their financial obligations in full and on time, and also on the expeditious finalization of memorandums of understanding with troop contributors for the provision of equipment.

C. International tribunals

21. The financial position for the tribunals at the end of 2015 reflected a higher level of unpaid assessments compared to the end of 2014. As at 31 December 2015, unpaid assessments amounted to $65 million, compared to $40 million at the end of 2014.

22. The number of Member States paying their assessed contributions for the international tribunals in full by the end of 2015 was 107, which was five lower than the number at the end of 2014. The Secretary-General wishes to express his sincere thanks to the 107 Member States that had paid their assessed contributions in full by 31 December 2015 and urges other Member States to follow their example.

23. As at 30 April 2016, unpaid assessments for the tribunals amounted to $93 million, which is $35 million lower than the level outstanding as at 30 April 2015. By 30 April 2016, 52 Member States had paid their assessed contributions to both the tribunals and the International Residual Mechanism for Criminal Tribunals in full, five fewer than that number in the previous year. The month-by-month position of cash balances for the tribunals were positive in 2014, 2015 and, so far, in 2016. The final outcome of 2016 will depend on Member States continuing to honour their financial obligations to the tribunals.

D. Capital master plan

24. A total of $1.87 billion was assessed under the special account for the capital master plan. As of 30 April 2016, the bulk of the contributions assessed to Member States had been received with under $0.2 million still outstanding.

25. Over the years, Member States have extended strong support for the project, as demonstrated by the number of Member States which have paid in full for the project. The Secretary-General wishes to express his appreciation to the 185 Member States which paid their assessments in full and urges the remaining 7 Member States to make a special effort to finalize their payments as soon as possible, so as to allow final closure of the accounts.

26. The capital master plan cash balance is currently positive. At the first part of its resumed sixty-ninth session, the General Assembly decided to finance the final shortfall of the project through transfer of $154.9 million from the General Fund. Initial transfers were carried out in 2015, the final $45 million was assessed in the context of the 2016 regular budget financing and the funds were transferred from

the General Fund to the capital master plan early in 2016. This completes the transfers from the General Fund.

III. Conclusions

27. The overall financial situation of the Organization is generally sound, with unpaid regular budget assessments reflecting lower levels at the end of 2015 compared to the end of 2014. Unpaid regular budget assessments are also lower at 30 April 2016 compared to 30 April 2015.

28. The last quarter of the year continues to be a difficult period for regular budget cash. As a result, it was necessary to draw on regular budget cash reserves, from both the Working Capital Fund and the Special Account, during the final months of 2015.

29. At present, the overall cash position is positive for all categories, owing to the continued efforts by many Member States. However, the regular budget situation is expected to tighten again towards the end of the year. The Secretariat will continue to closely monitor the cash flow and ensure prudent financial management of resources. The current level of reserves (both Working Capital Fund and Special Account) covers only six weeks of regular budget operations. Consequently, it would be prudent to review the adequacy of the level of reserves, in the light of the pattern of payment by Member States and the high level of commitment authority used to finance regular budget operations.

30. An increased number of Member States are making timely contributions to peacekeeping operations, and the Secretariat is making every effort to expedite outstanding payments to Member States that contribute troops, police and equipment. The level of outstanding payments to Member States is projected to decrease to $818 million by the end of 2016.

31. The Secretary-General wishes to pay a special tribute to the following 35 Member States that had paid all assessments that were due and payable as at 4 May 2016: Australia, Bosnia and Herzegovina, Bulgaria, Canada, China, Côte d'Ivoire, Czech Republic, Estonia, Finland, Georgia, Germany, Hungary, Iceland, Ireland, Israel, Italy, Japan, Kazakhstan, Kuwait, Latvia, Lesotho, Liberia, Liechtenstein, Luxembourg, Mali, Monaco, Netherlands, New Zealand, Republic of Korea, Samoa, Senegal, Singapore, Slovakia, Sweden and Switzerland. Member States from which payments were received after 4 May 2016 were Denmark and Micronesia, bringing the total, at the time of writing, to 37.

32. As always, the financial health of the United Nations continues to depend on Member States meeting their financial obligations in full and on time.